



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**MISSION CONVALESCENT HOME
JACKSON, TENNESSEE**

**Cost Report for the Period
January 1, 2012, Through December 31, 2012;
Resident Days for the Period
January 1, 2012, Through December 31, 2013;
and Resident Accounts for the Period
January 1, 2008, Through December 31, 2013**

Justin P. Wilson, Comptroller



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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April 5, 2016

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Darin Gordon, Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
310 Great Circle Road, 4W
Nashville, Tennessee 37243

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Finance and Administration, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of Mission Convalescent Home in Jackson, Tennessee, for the period January 1, 2012, through December 31, 2012; resident days for the period January 1, 2012, through December 31, 2013; and resident accounts for the period January 1, 2008, through December 31, 2013.

Sincerely,

Deborah V. Loveless, CPA
Director

DVL/pn
14/069

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Mission Convalescent Home

Jackson, Tennessee

Cost Report for the Period

January 1, 2012, Through December 31, 2012;

Resident Days for the Period

January 1, 2012, Through December 31, 2013;

and Resident Accounts for the Period

January 1, 2008, Through December 31, 2013

FINDINGS RECOMMENDING MONETARY REFUNDS

Deficiencies in Accounting for the Resident Trust Fund

Mission Convalescent Home failed to take adequate measures to safeguard the resident trust fund and did not perform proper and timely reconciliations of the resident trust fund. Several variances and mathematical errors were noted. Auditors determined that the facility also had \$54,307.96 in inadequately documented withdrawals for 90 residents. Also, residents were incorrectly charged \$217.00 for bank service charges. The facility should refund \$54,524.96 to the 90 residents or their authorized representatives.

Improper Billing of Resident Leave Days

Mission Convalescent Home improperly billed the Medicaid Program \$871.83 for seven days when the facility exceeded the 10-day leave rule for the period January 1, 2012, through December 31, 2012; and \$3,211.78

for 30 resident hospital and therapeutic leave days while operating below 85% occupancy for the period January 1, 2013, through December 31, 2013. As a result of the billing for 37 noncovered resident leave days, the facility should refund \$4,083.61 to the State of Tennessee.

Nonallowable Expenses Included on the Cost Report

Mission Convalescent Home included \$3,719.13 of nonallowable expenses on the cost report for the year ended December 31, 2012. The nonallowable amount includes monies spent for donation, expense for a vehicle not reported on the depreciation schedule, and unsupported expenses. As a result of these adjustments, auditors estimated that the facility received \$3,076.41 in overpayments from the Medicaid Program between July 1, 2013, and June 30, 2014.

Covered Items Charged to Residents

Mission Convalescent Home inappropriately charged Medicaid residents' trust fund accounts for diapers, which are Medicaid-covered items. As a result of the inappropriate charges, the facility should reimburse \$2,862.99 to 11 Medicaid residents or their authorized representatives.

Unrefunded Credit Balance Due to One Resident

Mission Convalescent Home failed to ensure that the credit balance on the account of one deceased resident was properly managed and promptly refunded. The facility transferred the credit balance from the resident trust fund into the facility's main account when a responsible party could not be located. The balance of \$873.58 is due to the former resident or his or her authorized representative.

FINDING NOT RECOMMENDING MONETARY REFUND**Resident Trust Fund Balances Exceeding the Medicaid Resource Limit**

Mission Convalescent Home had four Medicaid residents with trust fund balances exceeding the Medicaid resource limit of

\$2,000.00. The facility should not bill the Medicaid Program for services rendered to any resident whose resources exceed the social security income limit.

**Mission Convalescent Home
Jackson, Tennessee
Cost Report for the Period
January 1, 2012, Through December 31, 2012;
Resident Days for the Period
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**Mission Convalescent Home
Jackson, Tennessee
Cost Report for the Period
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INTRODUCTION

PURPOSE AND AUTHORITY OF THE EXAMINATION

The terms of contract between the Tennessee Department of Finance and Administration and the Tennessee Comptroller's Office authorize the Comptroller of the Treasury to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations regarding services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

BACKGROUND

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid Nursing Facility Program provides for nursing services on two levels of care. Level I Nursing Facility (NF-1) services are provided to recipients who do not require an intensive degree of care. Level II Nursing Facility (NF-2) services, which must be under the direct supervision of licensed nursing personnel and under the general supervision of a physician, represent a higher degree of care.

Mission Convalescent Center in Jackson, Tennessee, provides only NF-1 services. The facility is owned and operated by Old Folks Home, Inc., located in Jackson, Tennessee. The officers and members of the board of directors are as follows:

Michael Cherry, Chairman	Judge Nathan Pride, Member
Ida Bradford, Secretary	Marcia Mitchell, Member
Duane Cherry, Member	Bertha Hutson, Member
James Cherry, Member	Deborah Stafford, Member

During the examination period, the facility maintained a total of 57 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 20,862 available bed days, the facility reported 14,022 for Medicaid NF-1 residents for the year ended December 31, 2012. Also, the facility reported total operating expenses of \$3,313,165.00 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and resident services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>Period</u>	<u>Level I NF (744-0140)</u>
January 1, 2012, through June 30, 2012	\$145.30
July 1, 2012, through June 30, 2013	\$144.78
July 1, 2013, through June 30, 2014	\$167.20

PRIOR EXAMINATION FINDINGS

This facility has not been examined within the past five years.

SCOPE OF THE EXAMINATION

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care or clinical or medical provisions.



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Independent Accountant's Report

March 31, 2014

The Honorable Bill Haslam, Governor
and

Members of the General Assembly
State Capitol

Nashville, Tennessee 37243
and

Mr. Darin Gordon, Deputy Commissioner
Bureau of TennCare
Department of Finance and Administration
310 Great Circle Road, 4W
Nashville, Tennessee 37243

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated January 27, 2014, that Mission Convalescent Home complied with the following requirements:

- Income and expenses reported on the Medicaid cost report for the fiscal year ended December 31, 2012, are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Resident days reported on the Medicaid cost report have been counted in accordance with state regulations. Medicaid resident days billed to the state from January 1, 2012, through December 31, 2013, when residents were hospitalized or on therapeutic leave, are in accordance with the bed hold rules.
- Charges to residents and charges to residents' personal funds from January 1, 2008, through December 31, 2013, are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included examining, on a test basis, evidence about Mission Convalescent Home's compliance with those requirements and performing other such procedures we considered necessary. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Mission Convalescent Home's compliance with specified requirements.


Our examination disclosed the following instances of material noncompliance applicable to state and federal regulations:

- deficiencies in accounting for the resident trust fund,
- improper billing of resident leave days,
- nonallowable expenses included on the cost report,
- covered items charged to residents,
- unrefunded credit balance due to one resident, and
- resident trust fund balances exceeding the Medicaid resource limit.

In our opinion, except for the instances of material noncompliance described above, Mission Convalescent Home complied with, in all material respects, the aforementioned requirements for income and expenses reported on the Medicaid cost report for the period January 1, 2012, through December 31, 2012; resident days for the period January 1, 2012, through December 31, 2013; and resident accounts for the period January 1, 2008, through December 31, 2013.

This report is intended solely for the information and use of the Tennessee General Assembly and the Tennessee Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Deborah V. Loveless, CPA
Director

DVL/pn

FINDINGS AND RECOMMENDATIONS

1. **Deficiencies in Accounting for the Resident Trust Fund**

Finding

Mission Convalescent Home failed to take adequate measures to safeguard the resident trust fund as required by federal and state laws. The facility failed to perform proper and timely reconciliations of the resident trust fund to the bank statements. Auditors noted several variances and mathematical errors.

Mission Convalescent Home lacked adequate documentation and proper authorization for withdrawals from the trust fund. There were numerous transactions, involving 90 residents, where purchases were unsupported either by receipt, invoice, or resident authorization. These transactions during the period January 1, 2008, through December 31, 2013, totaled \$54,307.96. Furthermore, \$217.00 in bank service charges was incorrectly charged to residents during this period, for a total of \$54,524.96. As a result, resident monies could have been inappropriately depleted or misused during the period tested.

Code of Federal Regulations (CFR), Title 42, Section 483.10 states that “the facility must hold, safeguard, manage and account for the personal funds of the resident deposited with the facility . . . establish and maintain a system that assures a full and complete and separate accounting, according to generally accepted accounting principles, of each resident’s personal funds entrusted to the facility on the resident’s behalf.”

Auditors noted the following deficiencies in the facility’s accounting of resident funds:

1. The majority of resident trust fund ledger spreadsheets for resident petty cash, resident trust fund ledger spreadsheets for the main account, and individual resident petty cash ledgers were mathematically inaccurate.
2. The resident trust fund ledger for the primary account balance did not reconcile to the bank statement balance after the ledger was corrected for mathematical errors.
3. Some resident trust fund ledger beginning monthly balances significantly differed from the prior ending monthly balances.
4. Mission Convalescent Home did not properly account for the residents’ personal needs allowance (PNA). Medicaid recipients who are residents in nursing homes are permitted a PNA. The amount is generally deducted from each recipient’s income, and the remainder is applied to room and board charges. The personal needs allowance was increased from \$40 to \$50 on January 1, 2010. The facility did not accurately record the PNA to applicable residents.

In addition, Section 71-6-117, *Tennessee Code Annotated*, provides for penalties in cases where the improper use of government funds paid to an adult or to the adult's caretaker is proven to be willful.

Recommendation

Mission Convalescent Home should immediately establish internal controls, including policies and procedures to ensure compliance with applicable laws and regulations relative to the protection of resident funds. Management should accurately and routinely perform bank reconciliations. Documentation should be in place to ensure adequate safeguarding and accounting for residents' funds.

Mission Convalescent Home should refund the 90 residents or their authorized representatives a total of \$54,524.96 for the unsupported withdrawals and the bank service charges.

Management's Comment

We concur with the finding. The following are steps that have been taken to correct this matter. Effective June 1, 2014, new accounting software was implemented to accurately and routinely perform bank reconciliations and bank interest. This account is also audited quarterly by a local accounting firm.

Also, effective June 1, 2014, all residents or their authorized representatives must sign receipts and other documentation if needed for any withdrawals of resident funds from the resident trust fund account. All 90 residents or their authorized representatives should begin receiving refunds for unsupported withdrawals and bank charges beginning March 1, 2016.

Auditor's Comment

Auditors will follow up on the disposition of this finding within six months of the release of this report.

2. Improper Billing of Resident Leave Days

Finding

Mission Convalescent Home improperly billed the Medicaid Program for seven days when the facility exceeded the 10-day leave rule for the period January 1, 2012, through December 31, 2012, and for 30 resident hospital and therapeutic leave days while operating below 85% occupancy for the period January 1, 2013, through December 31, 2013.

The rule in effect for the period under examination, Chapter 1200-13-1-.03(9)(a) of the *Rules of the Tennessee Department of Finance and Administration*, states:

- (9) Bed holds. A Level 1 NF shall be reimbursed for a resident's bed in the NF during the resident's temporary absence from the NF as follows:
 - (a) Reimbursement shall be made for up to a total of ten (10) days per State fiscal year while the resident is hospitalized or absent from the NF on therapeutic leave. The following conditions must be met in order for a bed hold reimbursement to be made:
 - 1. The resident intends to return to the NF.
 - 2. For hospital leave days:
 - (i) Each period of hospitalization is physician ordered and so documented in the resident's medical record in the NF; and
 - (ii) The hospital provides a discharge plan for the resident.
 - 3. Therapeutic leave days, when the resident is absent from the NF on a therapeutic home visit or other therapeutic absence, are provided pursuant to a physician's order.
 - 4. At least eighty-five percent (85%) of all other beds in the NF are occupied at the time of the hospital admission or therapeutic absence. An occupied bed is one that is actually being used by a resident. Beds being held for other residents while they are hospitalized or otherwise absent from the facility are not considered to be occupied beds for purposes of this calculation. Computations of occupancy percentages will be rounded to the nearest percentage point.

Chapter 1200-13-1-.10(5) of the *Rules* states, "Each facility must maintain daily census records and an adequate patient log. . . . This log, however, must be sufficient . . . to accumulate monthly and yearly totals for Medicaid NF-1 patients and for all other patients."

As a result of the improper billing of resident days, the facility was overpaid a total of \$4,083.61 by the Medicaid Program for 37 noncovered days for the period January 1, 2012, through December 31, 2013.

Recommendation

Mission Convalescent Home should not accumulate or bill the Medicaid Program for NF-1 hospital or therapeutic leave days when the facility is operating below 85% occupancy or when residents' leave days exceed 10 per state fiscal year. As a result of the billing for 37 noncovered resident leave days, the facility should refund \$4,083.61 to the State of Tennessee.

Management's Comment

We concur with this finding and have taken steps to correct this matter. Effective June 1, 2014, Mission Convalescent Home will no longer bill the Medicaid Program for NF-1 hospital or therapeutic leave days when the facility is operating below 85% occupancy or when resident leave days exceed 10 per state fiscal year.

All noncovered resident leave days will be refunded to the State of Tennessee through the resident's managed care organization.

3. Nonallowable Expenses Included on the Cost Report

Finding

Mission Convalescent Home included \$3,719.13 of nonallowable expenses on the Medicaid cost report for the year ended December 31, 2012. The nonallowable amount includes \$2,589.39 in unsupported expenses; \$1,000 in donations; and a \$130.00 expense for a vehicle that was not on the facility's asset schedule. The adjustment to allowable expenses affects the facility's Medicaid reimbursable rate.

As a result of the adjustments to allowable expenses and the adjustment to resident days from Finding 2, the facility's reimbursement rate was reduced as follows:

<u>Period</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
July 1, 2013, through June 30, 2014	\$167.20	\$166.98	\$ (0.22)

The above rate adjustment will be sent to the Bureau of TennCare to reprocess all Medicaid claims with dates of service from July 1, 2013, through June 30, 2014. Estimated overpayments made to the facility as a result of the expense adjustments are \$3,076.41.

Chapter 1200-13-6.09(1) of the *Rules of the Tennessee Department of Finance and Administration* states, "Adequate financial records, statistical data, and source documents must be maintained for proper determination of costs under the program." Such costs that are not allowable in computing reimbursable costs include costs that are not necessary or related to patient care.

Provider Reimbursement Manual, Part I (PRM-1), Section 2102.3, states,

Costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Costs which are not necessary include costs which usually are not common or accepted occurrences in the field of the provider's activity.

Recommendation

Mission Convalescent Home should include only allowable expenses on the Medicaid cost report. All reported expenses should be adequately supported for covered services, related to resident care, and in compliance with other applicable regulations.

The Bureau of TennCare should reprocess all Medicaid claims for the period July 1, 2013, through June 30, 2014. The estimated recoupment for the reprocessed Medicaid claims for the period is \$3,076.41.

Management's Comment

We concur with this finding. Effective January 1, 2014, only allowable expenses will be placed on the Medicaid cost report. We understand that the Bureau of TennCare will recoup all Medicaid claims from this audit that had unsupported documentation.

4. Covered Items Charged to Residents

Finding

Mission Convalescent Home inappropriately charged Medicaid residents' trust fund accounts for adult diapers, which are Medicaid-covered items. The facility charged 11 residents the full cost of unstocked diapers that were specifically requested by the residents. The facility is only allowed to charge residents the difference in cost between the diapers stocked by the facility and the diapers specifically requested by residents. The cost of the stocked items charged to the 11 residents totaled \$2,862.99 for the period January 1, 2012, through December 31, 2013.

No. 93-2 of the *Medicaid Bulletin* states that "diapers, cloth and/or disposable, is a nursing facility (NF) responsibility and considered a covered service."

No. 94-1 of the *Medicaid Bulletin* states, "For covered items, the NF may charge no more than the difference between the cost of an item and/or service it provides and one specifically requested by name by the resident."

As a result of the inappropriate charges, the resident trust fund accounts for 11 Medicaid residents have been incorrectly charged \$2,862.99 for Medicaid-covered items.

Recommendation

Mission Convalescent Home should not charge Medicaid residents for covered items. In the future, the facility should provide covered items to all Medicaid residents without charge.

The facility can only charge residents the difference between the cost of the diaper stocked by the facility and the cost of the specific diaper requested by the resident. Mission Convalescent Home should reimburse the 11 Medicaid residents or their authorized representatives a total of \$2,862.99.

Management's Comment

We concur with this finding. Effective May 25, 2014, no residents will be charged for diapers. All diapers will be furnished by the nursing facility. For all diapers purchased prior to this date, residents or their authorized representatives will have their monies reimbursed to them beginning on March 1, 2016.

5. Unrefunded Credit Balances Due to One Resident

Finding

Mission Convalescent Home failed to ensure that credit balances on a deceased resident's account were properly managed and promptly refunded. Management did not maintain evidence that the former resident or an authorized representative was notified of money due them.

Section 6402 of the Affordable Care Act contains new obligations for health care providers regarding reporting and returning overpayments from the Bureau of TennCare or one of its contractors. Overpayments that are not returned within 60 days from the date the overpayment was identified can trigger a liability under the False Claims Act. The overpayment will be considered an "obligation" as this term is defined in Title 31, *United States Code*, Section 3729(b)(3). The False Claims Act subjects a provider to a fine and treble damages if the provider knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay money to the federal government.

Section 66-29-113 of *Tennessee Code Annotated* requires anyone holding funds or property presumed abandoned to file a report of that property with the State Treasurer. Chapter 1700-2-1-.19 of the *Rules of Tennessee Department of Treasury* states, "Before filing the annual report of property presumed abandoned, the holder shall exercise due diligence to ascertain the whereabouts of the owner to prevent abandonment from being presumed."

Mission Convalescent Home transferred the deceased resident's credit balance from the resident trust fund into the facility's main account when a responsible party could not be located. The resident trust fund unrefunded credit balance of \$873.58 remains in the main account of Mission Convalescent Home. The entire amount of \$873.58 is due to the former resident or his or her authorized representative.

Recommendation

Mission Convalescent Home should immediately implement a system to refund credit balances on the accounts of former residents. In addition, the facility should maintain evidence that former residents or their authorized representatives are notified of money due them. The facility should maintain a record of credit balances with the resident's name and social security number; the dates of last account activity and last owner contact; and the amount due the former resident.

Mission Convalescent Home should also maintain evidence of attempts to contact the owner of the credit balance. Return of first-class mailing sent to the owner's last known address would satisfy the requirement that an attempt to contact the owner had been made, provided the mailing was not returned "undeliverable." If the proper owners cannot be located within five years from the date of last account activity, the facility must file a report of the abandoned property with the Tennessee Department of Treasury, Division of Unclaimed Property. Such a report must be made before May 1 of each year and must include all property deemed abandoned as of the previous December 31. Remittance of the abandoned property is due with the filing of the report. Funds transferred to the Tennessee Department of Treasury must include any accrued interest. The department will honor any proper claims against the funds.

Mission Convalescent Home should refund \$873.58 to the former resident or his or her authorized representative.

Management's Comment

We concur with this finding. The resident in this finding is deceased, with no family members or authorized representative. His funds (monies) will be placed back into the resident trust fund until a relative or family member can be located.

6. Resident Trust Fund Balances Exceeding the Medicaid Resource Limit

Finding

Mission Convalescent Home had four Medicaid residents with trust fund balances exceeding the Medicaid resource limit of \$2,000.00.

Chapter 1240-3-3.05 of the *Rules of Department of Human Services* states, "(1) Applicants for medical assistance are permitted to retain resources in an amount not to exceed the SSI limits."

CFR, Title 20, Section 416.1205 limits an individual's resources to \$2,000.00.

As a result, Medicaid was billed for four residents who did not satisfy the financial eligibility requirements.

Recommendation

Mission Convalescent Home should notify each resident or the resident's authorized representative when any resident's funds approach the \$2,000.00 Medicaid resource limit. The facility should not bill the Medicaid Program for services rendered to any resident whose resources exceed the social security income limit. Those residents must be billed as private payors until enough of the resources have been spent to satisfy the financial eligibility requirements.

Management's Comment

We concur with this finding. New accounting software electronically maintains correct balances on all resident trust fund account resource limits. The software also notifies the billing department when social security income limits are close to being exceeded.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Deficiencies in accounting for the resident trust fund (see finding 1)	\$54,524.96
Improper billing of resident leave days (see finding 2)	\$ 4,083.61
Nonallowable expenses included on the cost report (see finding 3)	\$ 3,076.41
Covered items charged to residents (see finding 4)	\$ 2,862.99
Unrefunded credit balance due to one resident (see finding 5)	<u>\$ 873.58</u>
Total	<u>\$65,421.55</u>

Disposition of Overpayments

Due to the State of Tennessee	\$ 7,160.02
Due to residents or their authorized representatives	<u>\$58,261.53</u>
Total	<u>\$65,421.55</u>